

**TESTIMONY OF DAVID LASARTE**  
*Executive Director Arizona Indian Gaming Association*

Good morning and thank you for inviting me to be part of these proceedings.

My name is David LaSarte. I am a member of the Coeur d'Alene Tribe, from Northern Idaho.

I am here today representing 17 Indian tribes in Arizona who are members of the Arizona Indian Gaming Association (AIGA). This includes 13 tribal governments with 13 active gaming operations. Two tribes have compacts but no gaming operations; two tribes have neither compacts or gaming operations.

AIGA tribes include the Ak-Chin Indian Community, Cocopah Tribe, Fort McDowell Yavapai Nation, Fort Mojave Tribe, Gila River Indian Community, Havasupai Tribe, Hualapai Tribe, Kaibab-Paiute Tribe, Pascua Yaqui Tribe, Quechan Tribe, Salt River Pima-Maricopa Indian Community, San Carlos Apache Tribe, Tohono O'odham Nation, Tonto Apache Tribe, White Mountain Apache Tribe, Yavapai-Apache Nation and the Navajo Nation. These tribes are located throughout the state of Arizona.

Not every member of AIGA is currently operating a tribal governmental gaming facility on Indian land. Fifteen Arizona tribes have casinos on their reservations. However, every casino, except the operation owned by the small Ak-Chin Indian Community, is owned and operated by the tribe, rather than being managed by an outside management company. Only Ak-Chin, a small, semi-rural tribe west of Phoenix, contracts out the management of its casino to an outside, professional company.

To understand our regulatory climate, it is important to first understand the Arizona gaming environment. In Arizona, tribal government gaming is limited and regulated. Arizona compacts place limits on both the types of games that may be played on tribal lands, and on the number of gaming devices that can be installed in tribal governmental gaming facilities. Compact operational limits are based upon the size of the tribe. Tribes with larger enrollments of members are eligible for more machines. Conversely, smaller tribes are able to have fewer machines. Limited and regulated gaming is a concept that is supported by both Arizona tribes and by Arizona citizens.

### *Brief Background of Arizona Gaming*

In Arizona, the first compacts for tribal governmental gaming were signed in 1993. Since the first casino opened in Arizona, revenues earned by Arizona gaming tribes have been directed to provide for health, welfare, education and well-being of tribal members. Just as the Indian Gaming Regulatory Act (IGRA) intended, Indian casinos on Arizona tribal lands generate vitally needed revenues that are used to provide decent housing, infrastructure development, clean water, better education, health care and other services to tens of thousands of Indians living on Arizona reservations. They provide jobs that have taken thousands of Indians off welfare and unemployment, and produce many economic benefits for near-by communities and the entire state.

Revenues earned by Arizona Indian casinos also help fund the comprehensive regulatory system that provides regulatory oversight for Arizona Indian casinos. Not only do tribes fund their own Tribal Gaming Office, they also fund the Arizona Department of Gaming (ADOG) which is the state agency that oversees tribal governmental gaming on Indian lands.

### *Employment*

Currently tribal governmental gaming in Arizona employs 9,324 people which makes it comparable in size to Arizona's mining sector. Arizona casinos employ 3,785 Indian people and more than 200 tribal people serve in a regulatory function.

On average, in Arizona reservations, tribal members comprise 43% of casino employees. However, it is important to understand that the highest percentage of Native employees working at casinos is found in the more economically depressed, rural reservations. There, where few other options for employment exist, the number of tribal employees working in Indian gaming can run as high as 84%. On remote reservations, Indian casinos are often the largest employer in the region, and they significantly reduce the economic burden for Indian and non-Indian residents by providing much needed jobs.

It is also important to remember that each casino employee pays payroll taxes on income earned at the casino, thus creating an additional positive economic impact.

### *Impact*

A new statewide study of Indian Gaming in Arizona recently released by the Udall Center for Studies in Public Policy (Stephen Cornell: *An Analysis of the Economic Impacts of Indian Gaming in the State of Arizona*), defines the economic impact on tribes and Arizona of tribal governmental gaming. The report concludes that tribal governmental gaming in Arizona indirectly generated \$468 million in economic activity during 2000.

The Udall report points out that many Indian employees were formerly welfare recipients. Although statistical data is not available on the actual number of former welfare workers now employed in Indian gaming, the study concludes that, in counties where casinos operate, the presence of that casino results in a reduction of welfare rolls.

### *Benefits to Arizona Tribes - looking South*

A few short years of gaming revenues cannot reverse the effects of more than a century of poverty, despair, and lack of quality education. However, tribal governmental gaming is making significant inroads in many of Arizona's Indian reservation lands. If the challenges remain severe, the successes are sweet.

In Southern Arizona, the Tohono O'odham Nation encompasses 2.86 million acres. This vast, desert land, which includes land in Arizona as well as in Sonora, Mexico, is home to 24,000 enrolled members of the Tohono O'odham Nation.

On this reservation, revenues from tribal governmental provide more than half of the Nation's governmental budget which, in turn, provides essential services to all members. (Federal grants and contracts contribute 44% of the budget, with "other" comprising 6%).

Tribal governmental gaming funds benefits the Tohono O'odham Nation in myriad ways. Gaming revenues directly provide a multitude of services in the areas of Education, Public Safety, Health Care, Economic Development, and governmental operations. The Nation is organized into 11 Districts containing 72 villages, each of which needs services.

Since the Nation began operating tribal governmental gaming, casino revenues have paid out \$24 million

dollars in scholarships to 1,200 students, and contributed \$11.2 million to the founding of Tohono O'odham Community College. Gaming revenues have also provided the entire \$8.2 million for Early Childhood/Head Start Facilities.

Gaming revenues have funded 100% of the \$11.2 million budget for the West side clinic, and provided the entire \$14 million budget to construct and operate a 60 bed nursing home, which is the first nursing home built on the reservation. Gaming revenues are also funding 100% of the \$2.1 million budget for fire protection. This budget covers funds for 32 firefighters, 5 support staff, 16 vehicles and 4 substations.

Additionally, gaming revenues have funded 100% of the \$2.5 million kidney dialysis center, and completely paid for establishing 11 youth recreation centers at a cost of \$30 million. These centers encourage health and well-being. Revenues from tribal governmental gaming also contribute \$15 million each year to provide health care services for members of the Nation.

To promote economic development, the Nation established a \$15 million small business development fund. By the end of 2001, that fund will grow by an additional \$10.5 million. To date, more than 150 tribal members have received grants to help them launch and operate private businesses.

In addition to funding tribal needs, tribal governmental gaming revenues are providing 66% of the \$10.2 million budget for police protection. This translates into gaming dollars supporting 74 officers, 30 rangers, 109 support staff, 40 vehicles and 4 substations. The Nation is also paying for, and playing a key role, in guarding the border between Arizona and Sonora, Mexico against illegal entries.

Future plans for the Nation include adding more police, fire, and EMT services for all 11 districts, designing and building a Solid waste disposal way station and constructing new housing and infrastructure for tribal members. The Nation also plans to build new governmental offices, open a cultural museum and establish a radio station on the reservation. And it is looking into economic development funding in Mexico and planning to construct new detention facilities.

Despite all these efforts, the needs are still great. The Tohono O'odam Nation still has communities that have no electricity, water service, telephone or other utilities. The Nation still is working to provide the most basic services to all its members.

*Benefits to Arizona Tribes - looking Central*

In central Arizona, the Salt River Pima-Maricopa Indian Community encompasses 56,000 acres. Nineteen thousand of these acres have been put into a preserve to protect the natural desert, herds of wild horses and other wildlife. Although now completely surrounded by the urban cities of Scottsdale, Fountain Hills, Mesa and Tempe, historically, the Salt River Pima-Maricopa Indian Community was a poor tribe with few resources, inadequate infrastructure and high unemployment. The good economic times that swept through the rest of the metropolitan Phoenix Valley did not touch the Indian community.

Salt River, which debated whether or not to go into gaming, was the last tribe to receive a compact from the State of Arizona. Its compact was signed in late 1998 after a successful statewide, initiative ballot drive paved the way for the Governor to sign it.

According to the Bureau of Labor Statistics, in 1995, the unemployment rate on the Community was 32%. The poverty rate was, and continues to be, well above the national average. But, because of the additional services provided by gaming revenues, the Community is already experiencing substantial improvements.

Since 1995, the unemployment rate was cut to 15%, and many new projects have been started and/or completed to improve the lives of Community members. With funds available from gaming revenues, the Salt River Pima-Maricopa Indian Community is upgrading the Community's overall living conditions, providing adequate health and education for its members and providing new and additional economic opportunities and cultural facilities for the people.

Presently, tribal governmental gaming is providing revenue to fund governmental services. It is also supporting the development of non-gaming economic enterprises so the Community can attain its goal of creating a diversified economy.

One of the most costly projects being funded today by revenues from tribal governmental gaming is a massive upgrade and installation of a \$100 million water system. That system will ultimately correct serious problems that exist on Community lands. Many areas have low or no water pressure. The Salt River Pima-Maricopa Indian Community is also investing \$57 million over the next 10 years to plan and begin building a sewer system,

switching the Community from its reliance on septic tanks to sewers.

Other infrastructure programs funded with gaming dollars include flood control projects, road paving, and new communications systems. The company bought its own telephone company which, for the first time, is making telephone service available throughout the reservation. The new communications system gives members options for wireless or a fixed-phone line program with telephone, fax, cable and Internet service all delivered to members' homes. Communications and data delivery capability is not only needed for residents, it is crucial for economic development and diversification.

Because the majority of government complexes on the reservation were constructed in the late '70's and early '80's, without adequate funding for planning and construction, the Indian Community is designing a new Community Complex. And it is investing in seven new adolescent group homes. The Salt River Pima-Maricopa Indian Community also upgraded its Dialysis Treatment physical facility and increased staff. *The Pimas have the highest incidences of diabetes in the world, so good care is essential.*

Funds from governmental gaming support a new Temporary Aid to Needy Families Facility to coordinate job placement, job training, cash assistance, counseling, drug and alcohol rehabilitation and other urgently needed services on the reservation.

The Community is also using gaming revenues to upgrade and expand its existing businesses such as Phoenix Cement and Saddleback Communications. It has established a Permanent Fund to assure continued funding for governmental services. Lastly, to promote economic diversification, the Salt River Pima -Maricopa Indian Community established DEVCO, a Property Development and Asset Management Enterprise. DEVCO has opened the Chaparral Office Complex, the Community's first business park, which leases office space to commercial entities.

#### *Benefits to Arizona Tribes - looking North*

The Yavapai-Apache Nation is located in north central Arizona, near Camp Verde, Arizona. The small tribe opened its casino in 1995. Its success has enabled the Nation to provide for its people through myriad government sponsored programs and economic development.

Before the Casino opened, many Yavapai-Apache tribal members held low paying, dead end jobs or relied on government assistance. Today, the Nation is the largest employer in the Verde Valley. The casino employs more than 750 people. Payrolls, related expenses from wages, insurance pension and taxes exceeded \$20 million in 1999.

All tribal members who want a job now have one. All employees receive in-house training and educational assistance. The Nation is establishing a corporate university to expand the educational opportunities available to tribal members and employees. As tribal employees, members of the Yavapai-Apache Nation are now fully insured for medical, dental, eye care, disability and life. Members are eligible for transport in climate-controlled vans for health-related appointments including appointments at the Indian Health Service in Phoenix.

Better health care means that tribal members are now practicing preventive medicine, have opportunities to enroll their children in daycare which is owned and operated by the Nation and have many opportunities available to them to control diabetes.

Additionally, the Yavapai-Apache Nation makes emergency loans for tribal members up to \$2500.

Before tribal governmental gaming, much of the housing in the Nation was in disrepair. Through a combination of gaming revenue and federal grants, more than 80% of the homes on the reservation have been renovated. Homes of elderly and handicapped persons have been made handicap accessible, and children, who never had a park to play in, now play at a new community recreation area that is 50% funded by tribal governmental gaming revenues.

The Yavapai-Apache Nation has established its own Police and Fire Department with a staff of 15 officers, the same size as the Police Department in Camp Verde. It is now operating its own Roads and Public Works Department, has established its own Tribal Court, and is assisting offenders through legal services, treatment and rehabilitation programs.

Before school starts each Yavapai-Apache child receives \$250 toward school clothes and supplies. An additional \$200 is given to children in the Winter for cold weather clothing. The Nation has also established a four-year "Ambassador Scholarship" to pay four years of college for graduating seniors from each of four public high schools.

In 1998, the Nation was able to buy out its management contract to own and operate its casino. In 1999, it

took over management of the motel. Also in 1999, the Nation donated two generators to the Hualapai Tribe for use in its dialysis machines. The Nation is also staffing its Cultural Departments to preserve the language and customs of the Yavapai-Apache people.

Today, because of the support and direction provided by the Apache Cultural Program, traditional singing and dancing is returning to the Verde Valley. Where once the traditional ways were dying, today a group of young men are training as singers. The Sunrise Dance, one of the few traditional dances left to the people, has been revived after not being held on the reservation since 1947. With revenues from tribal governmental gaming, families can save for this extensive and expensive ceremony. Since tribal governmental gaming arrived in Yavapai-Apache Indian lands, three Sunrise Dances have been held.

#### *Regulatory Structure: State and Tribal Relationship*

This sampling of how Arizona Indian tribes benefit from tribal governmental gaming illustrates why Indian gaming began and why it exists today. From the outset, Indian gaming was envisioned as a way for tribes to jump-start their economies and begin to correct more than 100 years of neglect.

To accomplish this goal, the federal Indian gaming Regulatory Act of 1988 (IGRA) established a regulatory structure for gaming, one that is shared between state and tribes. In Arizona, this system works effectively because sovereign tribal governments, state government and the federal government cooperate to ensure that Indian gaming is well regulated and meets its overall goal.

At the state level, the Arizona Legislature established the Arizona Department of Gaming in 1995 to monitor Indian gaming operations on behalf of the State of Arizona. Today, the Arizona Department of Gaming has more than 50 employees who perform a variety of functions to meet the State's compacted responsibilities. These employees carry out compact enforcement activities such as gaming device inspections, and certification activities including background investigations on individuals and companies who wish to provide services to gaming operations.

An April 9, 1999 Sunset Review of Indian gaming in Arizona reported on the effectiveness of the State in overseeing tribal governmental gaming operations and on the overall effectiveness of the tribal-state regulatory



structure. The Office of the Auditor General of the State of Arizona conducted a Performance Audit and concluded,

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“...the (Arizona) Department’s (of Gaming) extensive oversight activities are well designed for ensuring the integrity of Class III gaming operations. For example, at each gaming facility, the Department performs pre-operation inspections, randomly inspects 50 gaming devices at each casino every 4 weeks, conducts compact compliance reviews every 18 months, and maintains an ongoing presence through its investigators, who visit casinos on a weekly basis to inspect operations and investigate possible compact violations.

“Department officials use a standard instrument to examine tribal compliance through its investigators who visit casinos weekly to inspect operations and investigate suspected or actual compact violations. These extensive and intensive activities are generally well designed and are accepted practices among gaming regulators. Further, they effectively identify compact violations at gaming facilities.”

The Auditor General found that not only does ADOG monitor gaming extensively and practice sound regulatory procedures, it is also effective at identifying violations. The report notes that “the Department’s activities effectively discover weaknesses that can be corrected to ensure the integrity of operations. For example, violations discovered in compact compliance reviews and weekly investigator visits include vendors providing services without state certification, the absence of a posted emergency evacuation plan, tribal gaming ordinances that require revision and the failure to provide the Department with a list of persons barred from the casino for unacceptable behavior. Similarly, gaming device inspections discover casino violations of technical standards, such as requirements to keep computer logic boards locked, and to fill out an access form every time an employee opens a device.”

The Auditor General cites this approach as “among the most extensive nationally.” The report points out that the Arizona Department of Gaming has more staff monitoring Indian gaming than any other state, and maintains a larger budget than states with comparable numbers of casinos. It also conducts its activities more frequently than most other states.

In comparison with states having 10 or more compacted Indian gaming operations, the report notes that Arizona’s gaming department staff and expenditures are “by far the highest.” In 1998, five other states had 10 or more compacted gaming operations: Washington (10), Minnesota (18), Wisconsin (21), Michigan (15) and New Mexico (11).

Certification at the state level is careful and consistent. ADOG certifies businesses that provide more than \$10,000 in goods and services to gaming operations on any given month. The Auditor General report concluded that the certification process “helps to ensure that only those companies that are found to be suitable under the provisions of the compact are permitted to conduct business at Class III tribal casinos.”

“While its activities are consistent with the best practices nationally for both gaming and Indian gaming regulation, the Department conducts its monitoring activities more frequently than most states,” the Auditor General observed.

The Auditor General illustrated this point by reporting that the Department, through its investigator who make at least weekly visits to each facility, maintains a much more visible presence on-site at gaming operations than most other states.

In addition the Arizona Department of Gaming investigates and certifies all non-tribal gaming employees, casino management companies, suppliers and manufacturers of gaming devices and providers of gaming services. The Arizona Department of Gaming (ADOG) also makes recommendations to tribes regarding licensing tribal members. But the report explains, ADOG does not actually certify those members.

Like the State, Arizona tribes play a primary role in regulating Indian gaming. Tribes have very specific regulatory responsibilities. Tribes are solely responsible for the operation and management of all gaming facilities. As such, they are required to establish a tribal gaming office, independent of the tribal government, to regulate gaming and enforce compliance with compact provisions on a tribe’s behalf. That office, as described by the Auditor General report, must “inspect gaming facilities, approve internal control systems for the gaming operations investigate suspected, compact violations, and license gaming employees, casino management companies, manufacturers of gaming devices, and providers of gaming services.”

In addition to regulating, tribes fund the Arizona Department of Gaming so it can fulfill its duties. Arizona gaming tribes pay both gaming device assessment fees and certification fees. Gaming devices are

assessed at \$500 per gaming device per year; certification fees for gaming employees and casino management companies are also paid to the state. These fees provide the revenue base for ADOG.

Since fiscal year 1995, the report notes, ADOG's budget has tripled and the size of its staff has doubled, although the number of gaming facilities and devices in Arizona has not grown to the same extent. "According to Department officials, when it was a new agency the Department's activities were focused on gaming operation start up, but once the gaming operations were established, it required additional staff and budget to conduct the continuing activities required by the State's compacted responsibilities," the report concludes.

The current framework, in which the tribes regulate, the State monitors and tribes fulfill the intention of IGRA by using funds to improve the health, welfare and future of their members, provides a strong system of checks and balances that is working for Indian gaming and meeting the goals of all concerned parties. Between the tribes and the Arizona Department of Gaming, 515 people are employed in gaming regulation, and more than \$25 million is spent annually to assure proper oversight. Stringent, and often demanding, this system of tribal, state and federal participation has been duly tested. In Arizona, this system has proved itself successful. Public support for limited and regulated gaming on tribal lands in Arizona reflects this reality.

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